

Message Text

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TO AMEMBASSY ADDIS ABABA

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C O N F I D E N T I A L STATE 155449

E.O. 11652: GDS

TAGS: PINS, PINT, PFOR, ETUS

SUBJECT: PROVISION OF UTILITY SERVICES TO EPMG Y

NAVCOMMUNIT ASMARA

REF: A) STATE 096211 B) STATE 098497

1. (C) LACK OF PROGRESS TOWARD CONCLUDING AGREEMENTS FOR EPMG OCCUPATION OF KAGNEW TRACTS TOGETHER WITH MOUNTING PAYMENTS ARREARAGES FOR UTILITIES FURNISHED EPMG COULD FORCE DOD TO CONSIDER TERMINATION OF UTILITY SERVICES UNLESS OUTSTANDING ISSUES ARE PROMPTLY RESOLVED. DESPITE INABILITY TO CONTROL AND ADMINISTER PROPERTY LOCATED ON TRACTS A AND E, US NAVY REMAINS LEGALLY RESPONSIBLE UNTIL EPMG SIGNS NINTH SUPPLEMENTAL LEASE AND TRANSFER DOCUMENTS. SIMILARLY LACK OF SIGNED UTILITY AGREEMENTS DEPRIVES US NAVY OF LEGAL BASIS FOR COLLECTION OF DEBTS OWED FOR UTILITIES FURNISHED TO EPMG ACTIVITIES
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2. (C) AS OF 31 MAR 75, EPMG OWED \$92,051.76 FOR UTILITY SERVICES FURNISHED. ARREARAGE IS MOUNTING AT RATE OF OVER \$25,000 PER MONTH THEREFORE ESTIMATED ARREARAGE AS OF 30 JUNE 75 WILL TOTAL \$180,000. ADDITIONALLY US NAVY IS NOW

NEGOTIATING WITH COLLINS INTERNATIONAL SERVICE COMPANY TO
ARRANGE PAYMENT OF ADDITIONAL \$52,000 FOR UTILITY SER-
VICES FURNISHED DURING FY 75 AND ADDITIONAL \$96,000

ESTIMATED FOR UTILITIES TO BE FURNISHED DURING FY 76.
THESE ADDITIONAL CHARGES TOGETHER WITH PREVIOUSLY CAL-
CULATED ARREARAGES CONSTITUTE A FINANCIAL PROBLEM FOR US
NAVY INASMUCH AS THESE ARE UNBUDGETED EXPENDITURES MADE
WITHOUT FIRM LEGAL BASIS PENDING SIGNING OF UTILITY AGREE-
MENTS. CURRENT INFORMAL ARRANGEMENTS ARE UNSATISFACTORY
SINCE COMMERCIAL BANK OF ETHIOPIA HAS REFUSED TO HONOR
CHECKS TENDERED BY ETHIOPIAN NAVY FOR TRACT A UTILITIES,
AND SEDAO PAYMENT FOR ASMARA UTILITIES REQUIRES EMBASSY
TO ACT AS INTERMEDIARY TO CONVERT ETHIOPIAN CURRENCY TO
DOLLAR INSTRUMENTS.

3. (C) IN ORDER MINIMIZE FUTURE LOSSES DOD PROPOSES TO
DELAY PAYMENT OF LAND RENTAL CHARGES AND DELAY PAYMENT OF
WATER BILLS TO LOCAL ASMARA UTILITY AS ACCOUNTING OFF-

SET DEVICES FOR UTILITY ARREARAGES. WHILE PARTIALLY OFF-
SETTING ARREARAGES, PROPOSED NON-PAYMENTS COULD RESULT IN
REFUSAL OF ASMARA WATER UTILITY TO FURNISH NEEDS OF
NAVCOMMUNIT. IF EPMG CONDONED SUCH ACTION, DOD WOULD
FEEL COMPELLED TO TERMINATE ALL UTILITY SERVICES TO EPMG
AGENCIES.

4. (C) PRECEDING FACTS SUGGEST NEED FOR EARLY RESOLUTION
OF ISSUES IMPEDING CONCLUSION OF NINTH SUPPLEMENTAL
LEASE AND TRANSFER DOCUMENTS AND SIGNATURE OF UTILITY
AGREEMENTS. REQUEST EMBASSY REPORT ON ACTION TAKEN WITH
APPROPRIATE EPMG AUTHORITIES FURTHER TO REFTELS AND PRO-
VIDE ESTIMATED DATE WHEN OUTSTANDING AGREEMENTS CAN BE
CONCLUDED. INGERSOLL

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